

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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TOM FORESE - Chairman
BOB BURNS
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JUSTIN OLSON

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

In the matter of:

DARRELL G. KNOCH, a single man,

IMAGINE ENTERPRISES, LLC, a
Wyoming limited liability company,

Respondents.

DOCKET NO. S-21058A-18-0341

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO CEASE
AND DESIST, ORDER FOR RESTITUTION,
ORDER FOR ADMINISTRATIVE
PENALTIES, AND ORDER FOR OTHER
AFFIRMATIVE ACTION**

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Darrell G. Knoch and Imagine Enterprises, LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

The Division also alleges that Darrell G. Knoch is a person controlling Imagine Enterprises, LLC within the meaning of A.R.S. § 44-1999(B), so that he is jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as Imagine Enterprises, LLC for its violations of the antifraud provisions of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, and the Securities Act.

Arizona Corporation Commission

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II.**RESPONDENTS**

2. From at least 2008 until at least May of 2017, Darrell G. Knoch ("Knoch") was a resident of Arizona. Prior to Arizona, Knoch was a resident of Tennessee. Since at least June of 2017, Knoch has been a resident of Puerto Penasco, Mexico.

3. Knoch has not been registered with the Commission as a securities salesman or dealer.

4. Imagine Enterprises, LLC ("Imagine Enterprises") was a manager managed limited liability company that was organized under the laws of the state of Arizona in June of 2010. On April 18, 2011, Imagine Enterprises was domesticated in the state of Wyoming with its principal office address located in Scottsdale, AZ. Records of the Commission's Corporations Division reflect that on July 27, 2011, Imagine Enterprises' entity status was amended to an inactive domestic LLC. Records of the Wyoming Secretary of State reflect that on June 9, 2017, Imagine Enterprises was administratively dissolved.

5. Since at least January of 2012, Knoch was the manager and/or Chief Executive Officer of Imagine Enterprises.

6. Imagine Enterprises has not been registered with the Commission as a securities salesman or dealer.

7. Knoch and Imagine Enterprises may be referred to collectively as "Respondents."

III.**OVERVIEW**

8. From at least 2000 until at least 2008, Knoch was a contractor, and co-owned a Real Estate Maximums ("RE/MAX") franchise in Chattanooga Tennessee. During the above time-period, Knoch partnered with a local realtor and bought, renovated, and resold several residential properties. According to Knoch, his RE/MAX franchise generated "\$250 million a year" in property sales.

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1 9. Knoch admitted that in 2008, he lost everything when the real estate market crashed,
2 including his RE/MAX franchise. Shortly thereafter, Knoch relocated to Arizona with just \$15,000
3 in savings.

4 10. On or about 2010, Knoch established a company called Real Self Publishing ("RSP"),
5 which was a business that assisted authors in self-publishing their books. Around that time, Knoch
6 and his former wife formed Imagine Enterprises, to manage RSP and other businesses related to
7 Knoch.

8 11. On or about 2011, Knoch wrote and self-published a book through Imagine
9 Enterprises titled Mastering a Healthy Self Image: The Guidebook to Real Happiness and Enormous
10 Success ("Mastering a Healthy Self Image"). In 2014, Knoch wrote and self-published another book
11 through Imagine Enterprises titled Real Estate Millionaire: Your Guide to Success ("Real Estate
12 Millionaire"). According to Knoch, both Mastering a Healthy Self Image and Real Estate Millionaire
13 made it onto Amazon's best sellers list.

14 12. During the relevant time-period, Knoch induced investors to invest with the
15 Respondents, by representing that he was a best-selling author, successful businessman, millionaire,
16 and real estate fix and flip expert. According to Knoch's LinkedIn profile, Knoch "has bought over
17 600 properties in the last 10 years and been involved with 1000's of deals over that same time ... has
18 negotiated over \$60,000,000 worth of loans with several banks and in the 35 years of being in
19 business has grossed over \$3,000,000,000."

20 13. Contrary to Knoch's above-representations to investors, Knoch was living out of a
21 recreational vehicle ("RV") in a mobile home park and not a millionaire. Knoch admitted that he
22 "filed for bankruptcy" on multiple occasions and has "been a bad business person."

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IV.

FACTS

14. On April 30, 2014, Knoch filed for protection under Chapter 7 of the U.S. Bankruptcy Code, in Arizona. Knoch's bankruptcy schedules listed \$16,173,140.84 of unsecured claims and \$740.99 of unpaid taxes. On September 17, 2014, the bankruptcy was discharged.

15. From at least April of 2015, until at least April of 2016, Respondents Knoch and Imagine Enterprises offered and sold securities in the form promissory notes ("Notes") and/or joint venture agreements ("JVA") within or from Arizona to at least twelve investors, of which at least five of the investors were Arizona residents (collectively, the "Imagine Investors"). The Imagine Investors collectively invested approximately \$1,254,200. Respondents claimed they were raising investment capital to acquire Arizona residential properties and fund the rehab and resale of those properties ("fix and flip").

16. Between April of 2015 and January 2016, Respondents entered into at least five JVA's with at least four different investors. All the JVA's were executed by Knoch, and contained the following same or similar language:

- Imagine Enterprises' principal mailing address is in Scottsdale Arizona;
- This agreement will be construed in accordance with, and governed by, the laws of the state of Arizona;
- Purchaser [Imagine Enterprises] shall be responsible for all oversight of the rehab, bookkeeping and supervision of each project;
- Purchaser and investor intend to purchase specific residential properties using a combination of cash, private loans and whatever credit instruments necessary for the purchase and rehab of each individual property;
- Purchaser will supply the capital to make the initial purchase of the properties. Investor shall provide all other acquisition, rehab and carrying costs; and
- Investor shall be entitled to 50% of the net profits.

1 17. In or about 2015, Knoch met a house cleaner in Arizona ("Investor I.L."), and the two
2 became acquaintances. During a conversation with Knoch, Investor I.L. revealed that she recently
3 received money from her divorce settlement. In response, Knoch offered Investor I.L. an opportunity
4 to invest in flipping properties. Knoch represented that if she invested her money in one of the
5 Respondent's fix and flips she would earn a substantial profit, because of his knowledge and skill.
6 Knoch further represented that he would spilt 50% of the profit with her, and she would receive a
7 full return of her principal investment.

8 18. On April 18, 2015, Knoch sent Investor I.L. an email, which identified a property
9 ("Lynne Lane property") in Phoenix Arizona. Knoch stated "on this deal you would get 50% of the
10 profit. This would be a very good deal for you. It only needs a light rehab, so we only need about
11 \$20,000 down payment."

12 19. Based on Knoch's representations, Investor I.L. decided to invest in the Lynne Lane
13 property. On or about April 18, 2018, Investor I.L. met Knoch and gave him \$20,000 in cash, and
14 both parties executed a JVA. Knoch deposited the \$20,000 into Imagine Enterprises' business
15 account. "Irma [Investor I.L.] 20,000.00" was written on the deposit ticket. Knoch is the signatory
16 for Imagine Enterprises' business account.

17 20. On or about June of 2015, Knoch informed Investor I.L. that the Lynne Lane property
18 had sustained significant fire damage and the insurance company paid on a claim for the damage. On
19 or about July 13, 2015, Respondents sold the Lynne Lane lot and received \$43,499.81. Knoch
20 represented to Investor I.L. that her profit from her investment was \$12,000. Knoch paid Investor
21 I.L. \$2,000 from the profit and represented that he would re-invest her \$20,000 principal and the
22 remaining \$10,000 profit into another fix and flip property in Scottsdale Arizona. Upon information
23 and belief, Knoch did not re-invest Investor I.L.'s funds.

24 21. Between June of 2015, and August of 2015, on several occasions Investor I.L. pressed
25 Knoch to provide details on her re-investment; however, Knoch failed to provide any details. Knoch
26 eventually agreed to pay Investor I.L. interest payments between \$400 and \$500 per month. After a

1 few months, Knoch stopped paying the promised interest payment to Investor I.L. and ceased
2 communicating with her.

3 22. On or about August 3, 2016, Investor I.L.'s attorney sent the Respondents a Demand
4 of Payment Letter, requesting among other things, that the Respondent pay back the \$30,000 owed.
5 On August 20, 2016, Knoch responded to Investor I.L.'s attorney, via email, and denied that he
6 entered into a JVA with Investor I.L. and denied taking any money from Investor I.L., which is
7 contrary to the executed JVA and the Respondents' receipt and deposit of Investor I.L.'s investment
8 funds into Imagine Enterprises' business account.

9 23. Knoch did not discuss any risks involved with the investment with Investor I.L., and
10 Knoch admitted that he did not ask Investor I.L. if she was an accredited, and he was "sure" she was
11 not an accredited investor.

12 24. Investor I.L. invested \$20,000 and has only received \$6,600 back in interest and/or
13 profit and has not received any return on her principal.

14 25. On or about June of 2015, Knoch represented to the manager, and a real estate agent
15 ("Investor R.H.") of Phoenix Housing Group LLC ("PHG") an Arizona real estate limited liability
16 company, that Knoch was: a multi-millionaire; experienced flipper; condominium builder; best-
17 selling author; and former successful owner of a RE/MAX franchise. Based on Knoch's
18 representations, the manager asked Knoch to become a member of the PHG.

19 26. On or about June 16, 2015, Knoch became a member of the PHG. Knoch was not a
20 licensed real estate agent; however, his role was to be a spokesman for PHG and use his "little bit of
21 fame" from his books to expand PHG's business and increase the number of real estate agents
22 working for PHG. Knoch also used Investor R.H. as the buying and selling agent on the Respondents'
23 fix and flips.

24 27. On or about October 2015, Knoch, Investor R.H., and other real estate agents from
25 PHG attended a ten-day international real estate expo in Shanghai China ("Expo"). PHG's purpose
26 in China was to find Chinese investors that wanted to buy houses and apartment complexes in

1 Arizona. Knoch's purpose in China was to promote his himself, his business and to find Chinese
2 investors to invest in the Respondents' flips in Arizona.

3 28. During the Expo, Knoch met a Chinese national (Investor Y.Z.) who owned a
4 consulting firm, based in China, that focused on locating lucrative real estate markets in the United
5 States ("U.S.") on behalf of her Chinese clients. Investor Y.Z.'s consulting firm assisted Chinese
6 investors in buying existing homes and holding the title, and/or buying properties that generated
7 rental income. Knoch represented to Investor Y.Z. that he was a "celebrity" in the U.S. and "really
8 successful" in flipping properties. Investor Y.Z. was not familiar with the concept of fixing and
9 flipping properties, so Knoch suggested that she come to U.S. to see first-hand some of the fix and
10 flip projects that he has worked on. Knoch further represented that he wanted to work together with
11 Investor Y.Z. and her clients.

12 29. On or about November 2015, Investor Y.Z. met Knoch and Investor R.H. in Atlanta
13 Georgia, and the three drove up to Chattanooga Tennessee. Knoch gave Investor R.H. and Investor
14 Y.Z. a tour of Chattanooga and showed them hundreds of rehab "deals" that he did and introduced
15 them to his former RE/MAX business partner. Knoch represented that he built the whole town.

16 30. Based on Knoch's representations, Investor R.H. decided to personally invest in a flip
17 with the Respondents. On or about December 10, 2015, Investor R.H. and Knoch executed a JVA.
18 Investor R.H. invested approximately \$62,965 in exchange for 50% split of profit on a specified
19 property in Scottsdale Arizona. The specified property was titled in Imagine Enterprises' name.

20 31. On or about January of 2016, Investor Y.Z. traveled to Arizona and met with Knoch
21 to see flips that he did in Arizona. Based on Knoch's representations, Investor Y.Z. determined that
22 the Phoenix real estate market is going to pick up, and this was the right time to invest in a flip. Upon
23 information and belief, on or about January of 2016, Investor Y.Z. and Knoch executed a JVA.
24 Investor Y.Z. invested approximately \$56,620 in exchange for a 50% split of the profit from the flip
25 of a specified property in Scottsdale Arizona. The specified Scottsdale property was titled in Imagine
26 Enterprises' name.

1 32. On or about January of 2016, a Tennessee individual, who was a long-time
2 acquaintance of Knoch's ("Investor R.C.") travelled to Arizona to meet with Knoch and discuss
3 investing in the Respondents' flips. Since at least August of 2015, Knoch had been offering Investor
4 R.C. an opportunity to invest in the Respondents' flips. Several months prior to Investor R.C.'s
5 arrival in Arizona, Knoch texted him "what would [sic] you think about investing out here with me?
6 I have lots of deals out here. I can help you live there and invest here and do well." Knoch gave
7 Investor R.C. a tour of the Scottsdale area and showed him some of the Respondents' previous flips.

8 33. During the tour, Knoch and Investor R.C. identified at least two Scottsdale properties
9 that had potential to make a profit. Investor R.C. stressed to Knoch, that he could not afford to risk
10 losing his life savings, and that he needed to make money on these deals. Knoch represented that
11 everything would be fine. In light of that statement, Respondents failed to disclose to Investor R.C.
12 that the Respondents stopped paying promised interest payments to a prior investor [Investor I.L.]
13 and failed to return her promised principal investment.

14 34. Based on Knoch's representations, Investor R.C. decided to invest in two flips with
15 the Respondents. On or about January 16, 2016, Investor R.C. and Knoch executed two JVA's for
16 specified properties in Scottsdale Arizona (respectively, "Monte Vista property" and
17 "62nd St. property"). Investor R.C. invested an approximate total of \$187,720 for both properties.
18 Both the Monte Vista and 62nd St. properties were titled in Imagine Enterprises' name.

19 35. According to both above-mentioned JVA's, Investor R.C. "shall be entitled to
20 reimbursement" of his entire investment, plus 50% of the net profits. And, **"Imagine Enterprises,**
21 **LLC will file this JV agreement at the courthouse, with the deed of trust at the time of the**
22 **closing of the property** [emphasis is original]."

23 36. On or about February 16, 2016, Respondents closed on the 62nd St. property and on
24 or about February 26, 2016, Respondents closed on the Monte Vista property. On or about February
25 16, 2016, Investor R.C. texted Knoch "will this title company file our JV with the Deed at the
26 recorder's office?" Knoch texted back and represented "[n]o, because they are so stupid, I can't trust

1 them to do it correctly. I am going to do it myself and send you the document.” In light of that
2 statement, and contrary to the emphasized language in both JVA’s that Imagine Enterprises will file
3 the JVA’s with a deed of trust, the Respondents failed to record Investor R.C.’s JVA’s with a deed
4 of trust.

5 37. Between January 2016, and April 2016, Investor Y.Z. relayed the following to at least
6 three of her Chinese clients: her positive observations about the Phoenix real estate market; Knoch’s
7 representations of being a very successful and experienced house flipper; Knoch’s previous projects;
8 Knoch’s desire to bring in more investors; and that flipping properties with the Respondents was a
9 new type of investment opportunity, but not guaranteed.

10 38. Between February 2016, and April 2016, Respondents sold three Notes to three of
11 Investor Y.Z.’s clients (respectively, “Investor S.H.,” “Investor L.Y.,” and “Investor J.L.”). The
12 investment capital was supposed to be used to grow Imagine Enterprises and enable Respondents to
13 buy more properties to flip. All the Notes were executed by Knoch, and contained the following same
14 or similar language:

- 15 • Imagine Enterprises’ correspondence address is in Scottsdale Arizona;
- 16 • Borrower [Imagine Enterprises] shall repay the principal sum together with a “TEN
17 PERCENT (10%) interest payment ... at the end of 6 months from the date of the
18 receipt of funds by borrower regardless of the sale of any properties;” and
- 19 • “This Note is and will be secured by a certain first priority security interest in all of
20 the tangible and intangible property of the borrower.”

21 39. On or about February 10, 2016, Knoch and Investor S.H. executed a Note. Investor
22 S.H. invested \$160,000 and was promised \$16,000 in interest plus a return of his principal within six
23 months of Respondents receiving the funds. On or about February 25, 2016, Investor S.H. wired
24 \$160,000 into Imagine Enterprises’ business account. Investor S.H.’s Note matured on or about
25 August 25, 2016.

1 40. On or about March 22, 2016, Knoch and Investor L.Y. executed a Note. Investor L.Y.
2 invested \$160,000 and was promised \$16,000 in interest plus a return of her principal within six
3 months of Respondents receiving the funds. On or about March 31, 2016, Investor L.Y. wired
4 \$160,000 into Imagine Enterprises' business account. Investor L.Y.'s Note matured on or about
5 September 31, 2016.

6 41. On or about April 14, 2016, Knoch and Investor J.L. executed a Note. Investor J.L.
7 invested \$200,000 and was promised \$20,000 in interest plus a return of her principal within six
8 months of Respondents receiving the funds. On or about April 14, 2016, Investor J.L. issued a check
9 to Imagine Enterprises for \$200,000. On or about April 25, 2016, Investor J.L.'s \$200,000 check was
10 deposited into Imagine Enterprises' business account. Investor J.L.'s Note matured on or about
11 October 25, 2016.

12 42. On or about May 2016, Knoch called Investor R.H. and represented that he ran out of
13 money, and could not continue the flips, and that he was going under. Knoch's revelation jeopardized
14 Investor R.H.'s investment, his wife's [Investor Y.Z.] investment, Investor Y.Z.'s clients'
15 investments, and others that invested in the Respondents' flips.

16 43. On or about May 1, 2016, Investor R.H. negotiated with the Respondents to convey
17 at least twelve properties to Transpacific Construction, LLC ("TPC"). TPC is an Arizona limited
18 liability company, and during the relevant time-period, Investor R.H. was a managing member of
19 TPC. Respondents "agreed to relinquish all rights to any profits and any compensation." TPC would
20 assume the debt on the properties, finish the rehab on the properties, and resell the properties. Investor
21 R.H. also negotiated for Knoch to remove himself as a member of the PHG.

22 44. On or about June 29, 2016, Respondents conveyed, via warranty deed, twelve
23 properties to TPC. On or about August 2, 2016, Knoch was removed as member of PHG.

24 45. On August 25, 2016, Investor S.H.'s Note matured, and Respondents failed to pay the
25 promised interest and failed to return Investor S.H.'s principal investment.

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1 46. On or about August 30, 2016, Respondents closed on the Monte Vista property for
2 approximately \$392,5000. On or about September 7, 2016, Knoch emailed ("Update Email")
3 Investor R.C. and stated that he closed on "Monte Vista last week ... there is enough money to pay
4 you your entire investment back and some profit." However, the 62nd St. property is going to cost
5 more than originally estimated. It is going to require about "\$35,000 more than I originally estimated.
6 I deposited \$20,000 of the Monte Vista funds into your checking account ... we needed to loan the
7 balance of the funds to the 62nd Street project to get it finished."

8 47. On or about September 2, 2016, Knoch transferred \$38,000 from Imagine Enterprises'
9 business account to Valley Construction, LLC's ("Valley Construction") business account. Valley
10 Construction is an Arizona limited liability company and Knoch is the managing member of Valley
11 Construction and signatory of Valley Construction's business account. The \$38,000 transfer was
12 classified as "loan from Ronnie [Investor R.C.] to complete 62nd Street."

13 48. Based on the Update Email, Investor R.C. realized that Knoch did not record the
14 JVA's with deeds of trust, given that Knoch was able to close the Monte Vista property without
15 Investor R.C.'s signing the closing documents. Also, the Respondents misrepresented on the JVA's
16 that Investor R.C. "shall be entitled to reimbursement of his entire investment, plus 50% of the net
17 profits," when Respondents transferred \$38,000 of Investor R.C.'s profit on the Monte Vista property
18 without Investor R.C.'s consent.

19 49. On September 31, 2016, Investor L.Y.'s Note matured, and Respondents failed to pay
20 the promised interest and failed to return Investor L.Y.'s principal investment.

21 50. On October 25, 2016, Investor J.L.'s Note matured, and Respondents failed to pay the
22 promised interest and failed to return Investor J.L.'s principal investment.

23 51. All of the Respondents' fix and flip properties that the Imagine Investors invested in
24 were titled in Imagine Enterprises' name.
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1 52. Imagine Investors' only role in the Respondents' flips was to provide capital, and none
2 of the Imagine Investors had decision-making authority in the fix and flip projects, and all the
3 Imagine Investors relied on Knoch's expertise in real estate to flip the properties and make a profit.

4 53. Knoch admitted that he did not ask any of the Imagine Investors if they were
5 accredited investors.

6 54. Imagine Investors collectively have invested approximately \$1,254,200 and have only
7 received approximately \$347,600 back. The remaining principal amount owed is approximately
8 \$906,600.

9 **Misrepresentations and Omissions of Material Fact**

10 55. Knoch misrepresented that he would re-invest Investor I.L.'s \$20,000 principal and
11 the remaining \$10,000 profit into another fix and flip property in Scottsdale Arizona. Upon
12 information and belief, Knoch did not re-invest Investor I.L.'s funds.

13 56. Knoch misrepresented to Investor R.H. that Knoch was a multi-millionaire, when in
14 fact, according to Knoch's bank records, he was not a millionaire. During the relevant time-period,
15 Knoch was living out of an RV in a mobile home park and had recently filed for bankruptcy in 2014.

16 57. Respondents misrepresented on Investor R.C.'s JVA that he "shall be entitled to
17 reimbursement of his entire investment, plus 50% of the net profits," when in fact, Respondents
18 transferred \$38,000 of Investor R.C.'s profit on the Monte Vista property without Investor R.C.'s
19 consent.

20 58. Respondents misrepresented to Investor R.C. that the Respondents would record both
21 of Investor R.C.'s JVA's with a deed of trust, when in fact, Respondents did not record any of
22 Investor R.C.'s JVA's with a deed of trust.

23 59. Upon information and belief, Respondents failed to disclose to any of the Imagine
24 Investors that Knoch filed for bankruptcy in 2014.

60. Upon information and belief, Respondents failed to disclose to at least Investors R.H., Y.Z., R.C., S.H., L.Y., and J.L. that the Respondents stopped paying the promised interest payments to Investor I.L., a prior investor and failed to return her promised principal investment.

V.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

61. From at least April of 2015, until at least April of 2016, Respondents offered or sold securities in the form of investment contracts and/or promissory notes, within or from Arizona.

62. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

63. This conduct violates A.R.S. § 44-1841.

VI.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

64. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

65. This conduct violates A.R.S. § 44-1842.

VII.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

66. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

- a) Knoch misrepresented that he would re-invest Investor I.L.'s \$20,000 principal and the remaining \$10,000 profit into another fix and flip property in Scottsdale Arizona;
- b) Knoch misrepresented to Investor R.H. that Knoch was a multi-millionaire;
- c) Respondents misrepresented on Investor R.C.'s JVA's that he "shall be entitled to reimbursement of his entire investment, plus 50% of the net profits;"
- d) Respondents misrepresented to Investor R.C. that the Respondents would record both of Investor R.C.'s JVA's with a deed of trust;
- e) Respondents failed to disclose to any of the Imagine Investors that Knoch filed for bankruptcy in 2014; and
- f) Respondents failed to disclose to at least Investors R.H., Y.Z., R.C., S.H., L.Y., and J.L. that the Respondents stopped paying the promised interest payments to Investor I.L., a prior investor and failed to return her promised principal investment.

67. This conduct violates A.R.S. § 44-1991.

VIII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

68. Respondent Knoch directly or indirectly controlled Respondent Imagine Enterprises within the meaning of A.R.S. § 44-1999(B). Therefore, Respondent Knoch is jointly and severally liable under A.R.S. § 44-1999 to the same extent as Respondent Imagine Enterprises for any violations of A.R.S. § 44-1991.

IX.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036; and

4. Order any other relief that the Commission deems appropriate.

X.

HEARING OPPORTUNITY

Each Respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

If a Respondent requests a hearing, the requesting respondent must also answer this Notice. A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting Respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

XI.**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting Respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Michael Shaw.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering Respondent or Respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering Respondent intends in good faith to deny only a part or a qualification of an allegation, the Respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 1st day of November, 2018.



Mark Dinell
Acting Director of Securities